



Audit and Risk Committee Charter

The Baw Baw Shire Council has established an Audit and Risk Committee (the Committee) in compliance with section 53(1) of the Local Government Act 2020 (the Act).

1. Purpose

Council is committed to good governance, public transparency and accountability to the Baw Baw Shire community. The Audit and Risk Committee is established to strengthen Council's governance, risk management, financial management and to drive continuous improvement. Pursuant to section 53(2) of *the Act*, the Committee is a committee established by Council and does not have any delegated powers, including executive powers, management functions, or delegated financial responsibility.

The Committee is established to assist the Council to administer its responsibilities under the Act to:

- Monitor the compliance of Council policies and procedures with:
 - The overarching governance principles;
 - The Act, the regulations and any Ministerial directions; and
 - Other relevant laws and regulations.
- Monitor Council financial and performance reporting;
- Monitor and provide advice on risk management and fraud prevention systems and controls;
- Oversee internal audit function;
- Oversee external audit functions; and
- Monitor internal controls and compliance.

The Committee will engage with management in a constructive and professional manner in administering its responsibilities and formulating its advice to the Council. The committee meeting agendas will be formulated to provide a valuable forum for communication between the Council members, senior management, internal and external auditors.

2. Authority

The Committee is directly responsible to Council for discharging its responsibilities as set out in this Charter. The Committee has no delegated authority from Council unless specifically provided by Council from time to time and any such authority shall be temporary and may only relate to specific matters as directed by Council.

The Council authorises the Committee, within its responsibilities, to:

- Obtain any information it requires from any official or external party (subject to any legal obligation to protect information);
- Discuss any matters with the Victorian Auditor General's Office (VAGO), or other external parties (subject to confidentiality considerations);
- Request the attendance of any official, including Councillors and Council Officers, at Committee meetings;
- Seek resolution on any disagreements between management and the external auditors on financial reporting; and
- Seek resolution on any disagreements between management and the internal auditors on internal audit recommendations.

3. Membership

- 3.1 The Committee comprises of up to six members (two Councillors and up to four independent and external members), appointed by Council.
- 3.2 In accordance with the Act the membership must consist of a majority of members who are not Councillors of the Council and who collectively have:
- 3.2.1 expertise in financial management and risk (Section 53(3b i));
 - 3.2.2 experience in public sector management (section 53(3b ii));
 - 3.2.3 not be a member of Council staff (Section 53(3c)).
- 3.3 In accordance with section 53 of the Act the committee chair must not be a Councillor (section 53(4)) and must not be a member of Council staff (section 53(3c)).
- 3.4 The Chairperson will have tenure for 12 months, commencing from the first meeting of each calendar year, with the election to be held at the conclusion of the final meeting of each year.
- 3.5 In the absence of the Chair, the Committee will elect a temporary Chair for the meeting from the remaining independent members who are present.
- 3.6 Councillors and other Council Officers may attend committee meetings, and when this occurs, will be provided with copies of the relevant committee papers.
- 3.7 Representative(s) of VAGO and Councils appointed internal auditor will be invited to attend meetings of the committee. Such a representative will be required to act in accordance with the governance principles in addition to the obligations of confidentiality (Section 125) and conflict of interest (Part 6, Division 2) as outlined within this Charter and the Act.

4. Functions

In accordance with section 54(2) of the Act, the functions and responsibilities of the Committee include:

4.1 Compliance of Council policies and procedures

- 4.1.1. Assess the compliance of Council's policy framework and procedures with the overarching governance principles, the Local Government Act 2020 and the regulations and any ministerial directions. (Section 54(2a)).
- 4.1.2. Monitor the ten-year financial plan (Section 91) and financial policies (Section 101). The progress against this plan will be reported to the Committee annually. This plan is intended to provide assurance of longer-term planning to strengthen financial management policies and procedures.
- 4.1.3. Review the CEO Employment and Remuneration Policy and ensure compliance with the Act.

4.2 Financial and performance reporting (Section 54(2b))

- 4.2.1. Receive assurance that Council has appropriate systems and procedures in place for collecting and analysing information and data.
- 4.2.2. Review the financial reporting provided to Council and monitor the financial performance and sustainability of Council.
- 4.2.3. Review management's processes for ensuring and monitoring compliance against financial and non-financial information, performance reporting under the Act, and other relevant legislation and external reporting.
- 4.2.4. Seek from the external auditor an independent opinion on management's: – technical compliance with accounting standards – proper application of the accounting principles – clarity in financial disclosure practices as used or proposed in the financial report of the Council.
- 4.2.5. Recommend to the Council whether the financial report including the performance statement should be approved based on the Committee's assessment of them.

4.3 Risk management systems and controls. (Section 54(2c))

- 4.3.1. Annually review Council's Risk Management Policy and Framework.
- 4.3.2. Annually review Council's Enterprise Risk Register and advise Council of any concerns regarding the required controls and treatment plans.
- 4.3.3. As part of the overall risk management framework, the Committee should receive annual reports in respect of insurance claims lodged against Council and the adequacy of the proposed insurance arrangements moving forward.
- 4.3.4. Review and monitor the implementation of Council's business continuity policy and plan, including whether business continuity and disaster recovery plans have been regularly updated and tested.

4.4 Fraud prevention systems and controls. (Section 54(2c))

- 4.4.1 Review Council's Fraud Prevention policies and controls, including the Fraud Control Plan and fraud awareness programmes at least every two years;
- 4.4.2 Ensure regular reviews are carried out in respect of the probity and transparency of procurement.
- 4.4.3 Receive advice from management in respect of any reported and suspected fraud events. Review the processes for the identification, nature, extent and reasonableness of related-party transactions.
- 4.4.4 Ascertain whether fraud risks have been identified, analysed, evaluated, have an appropriate treatment plan implemented, communicated, monitored and there is regular reporting and ongoing management of fraud risks.
- 4.4.5 Monitor management's efforts to create and maintain a strong internal control environment, including the design and implementation of anti-fraud strategies and programs, conduct of fraud awareness seminars or training courses to increase staff awareness of activities that amount to fraud.

4.5 Oversee internal audit function (Section 54(2d))

- 4.5.1 Review the Internal Audit Charter once every three years to determine that it provides an appropriate functional and organisational framework to enable Council's internal audit function to operate effectively and without limitations.
- 4.5.2 Review, monitor and approve the rolling three-year internal audit plan annually and any significant changes to them.
- 4.5.3 Review and approve in advance the proposed scopes for each review in the annual internal audit plan
- 4.5.4 Provide the opportunity for audit and risk committee members to meet annually with the internal auditors without management being present.
- 4.5.5 Review the reporting on completed internal audits, seeking clarification through critical analysis to assure the Committee that management is responding adequately to the findings and that key risks are mitigated.
- 4.5.6 Require the Internal Auditor to conduct periodic testing of whether audit actions reported as completed by management have been effectively implemented.
- 4.5.7 Internal Audit Reports are considered internal working documents and will not be released to the public, as referenced in Council's Public Transparency Policy.

4.6 Monitoring compliance with relevant laws and regulations.

- 4.6.1 Receive and review Council's response to any performance audits, relevant to local government, conducted by VAGO, the Ombudsman, the Independent Broad-based Anti- Corruption Committee (IBAC) or other relevant authorities, including analysis of the potential opportunity for improved performance.
- 4.6.2 Review Council's overarching governance principles; and the Local Government Act 2020 and associated regulations and any relevant Ministerial directions.

- 4.6.3 Review whether the Council has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints under the Public Interest Disclosures Act 2012.
- 4.6.4 Ensure that Council maintains and periodically reviews the Councillor Code of Conduct and Staff Code of Conduct.

4.7 **Oversee external audit function (Section 54(2d))**

- 4.7.1 At the appropriate meeting, ask the external auditor to outline the external audit plan including proposed audit strategies and how they might relate to identified risk areas; discuss audit results; consider the implications of the external audit findings for the control environment.
- 4.7.2 Ask the external auditor if there have been any significant resolved or unresolved disagreements with management.
- 4.7.3 Sight all representation letters signed by management and consider the completeness and appropriateness of the information provided.
- 4.7.4 Provide the opportunity for committee members to meet with the external auditor annually or as the need arises without management being present.

5. Reporting and Evaluation

- 5.1 The Committee will prepare an Annual Committee Performance Report that includes an annual assessment of Committee performance against the Audit and Risk Committee Charter in accordance with Section 54(4a) of the Act which will be presented to Council.
- 5.2 The Committee will prepare an audit and risk report twice-yearly that describes the activities of the Audit and Risk Committee and includes the Committee findings and recommendations in accordance with section 54(5a) of the Act, along with the agreed actions. This report will be provided to the Chief Executive Officer for reporting to Council twice-yearly.
- 5.3 In alignment with the Governance Rules, Public Transparency Policy and Governance principles in the Act, summary minutes from each Committee meeting are to be presented to Council through the Governance report after each Committee meeting summarising progress, matters discussed and any issues the Committee wishes to share with all Councillors.

6. Administrative Arrangements

Meetings

- The committee will meet a minimum of four times per year;
- All committee members are expected to attend each meeting, in person or via tele- or- video conference; and
- The Chair is required to call a meeting if asked to do so by the Council and decide if a meeting is required if requested by another member, internal audit or VAGO.

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Remuneration

- External members of the committee will receive an allowance per meeting. The allowance is set annually by the CEO and will be indexed in line with a Determination of the Victorian Independent Remuneration Tribunal.
- Members will not be paid for meetings which they do not attend.
- Allowances will be benchmarked based on five peer Councils at least once every Council term.

Planning

- The Committee will work to a forward meeting schedule that includes the dates and location for each meeting for the forthcoming calendar year; and
- In accordance with section 54(3) of the Act the Committee will adopt an annual work plan that includes the timing of reporting for all of the responsibilities outlined in this charter.

Quorum

A quorum will consist of a majority of committee members, with a minimum of two independent members and one Councillor. A quorum must be maintained during the entirety of the meeting.

Secretariat

In accordance with section 54(6a) of the Act, the CEO will appoint a Council Officer to provide secretariat support to the Committee. The secretariat will:

- Ensure the agenda for each meeting is approved by the Chief Executive Officer;
- Ensure the agenda and supporting papers are circulated, at least one week before the meeting; and
- Ensure the minutes of the meetings are prepared and appropriately archived on completion.

Minutes must be reviewed by the Chief Executive Officer and Committee Chair and circulated within two weeks of the meeting to each member and to committee observers, as appropriate.

7. Conflict of Interest

Committee members must be transparent and accountable, to protect the public interest, maintain the integrity of the Committee and Council and enable the public to be confident that the Committee is performing its duties properly.

If a conflict of interest exists, it must be declared and managed. Committee members are required to provide written declarations, through the Chair declaring any material personal interests they may have in relation to their responsibilities.

Division 2 of Part 6 of the *Local Government Act 2020* applies to Independent Members, as if the member were a member of a delegated Committee. An independent member has a ***conflict of interest*** if they have:

- a) A general conflict of interest within the meaning of section 127 of the Act; or
- b) A material conflict of interest within the meaning of section 128 of the Act.

At the beginning of each committee meeting, members are required to declare any material personal interests that may apply to specific matters on the meeting agenda. Where required, the member will be excused from the meeting or from the committee's consideration of the relevant agenda item(s).

8. Misuse of Position

Section 123 of the *Local Government Act 2020* applies to Independent Members, as if the member were a member of a delegated Committee. The Independent Member must not intentionally misuse their position to:

- a) Gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person; or
- b) Cause, or attempt to cause, detriment to the Council or another person.

9. Confidential Information

Section 125 of the *Local Government Act 2020* applies to Independent Members, as if the member were a member of a delegated Committee.

10. Induction

New members will receive relevant information on their appointment to assist them to meet their committee responsibilities. As a guide an induction may include:

- Minutes of previous meetings for a minimum of 12 months.
- All Internal audit reports received in the preceding 12 months.
- The proposed Internal Audit Program for the future and a listing of past audits completed in the previous three years.
- External Audit reports and management letters for the audit of the previous year financial report.
- Council Annual Report, Budget, Long Term Financial Strategy, Council Plan and other relevant strategic documents.
- Introductions to Mayor, Council Executive Management Team, Principal Accounting Officer and Risk Coordinator.

11. Review of the Committee Charter

At a minimum of once per Council Term the Committee will review this charter. Any review will include consultation with the Council and Committee.

Any substantive changes to the charter will be recommended to the Committee and must be formally approved by the Council.

Approval date	August 2020
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Effective from	September 2020
Review term	Council term
Next review date	August 2024
Responsible position	Manager Governance
Responsible Director	Director Governance and Information Services
Version	2

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